

# AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



COUNTY OF SAN BERNARDINO

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February 11, 2009

**Dave Gibson, Director**  
Facilities Management Department  
200 South Lena Road  
San Bernardino, CA 92415-0055

## **SUBJECT: FACILITIES MANAGEMENT CASH CONTROLS AUDIT**

### **Introductory Remarks**

In compliance with Article V, Section 6, of the San Bernardino County Charter, the Board of Supervisor's Policy Statement on Internal Operational Auditing and the Internal Controls and Cash Manual (ICCM), we have completed an audit of Facilities Management Department (FMD). Our audit was conducted in accordance with the Standards for the Professional Practice of Internal Auditors.

### **Background**

The Board of Supervisors, by resolution, establishes cash funds for county departments to facilitate their operations. The Board has delegated the County Auditor/Controller-Recorder (ACR) the authority to establish cash funds up to \$2,500. Several different types of cash funds are used throughout the County, including petty cash funds, change funds, and cash shortage funds. Ordinarily, departments use petty cash funds to buy small items, change funds to make customer change and cash shortage funds to reimburse cash shortages that occur during daily operations. Although these cash funds may differ in amount and purpose, the general guidelines governing their establishment, maintenance, dissolution and reconciliation is the same. Departments designate a fund custodian to be in charge of the fund. At all times the fund custodian must be able to account for the fund in the form of cash, vouchers and receipts. Periodically, ACR Internal Audits Section performs surprise cash counts of these cash funds. Upon demand of ACR or the Board of Supervisors, a department's Fund Custodian is to give an accounting of the fund.

ACR has documented some general cash controls in the ICCM for departments with cash funds. However, each department head or authorized designee is responsible to develop and implement the necessary guidelines and procedures required to control, safeguard and handle cash.

### **Objectives, Scope and Methodology**

Our overall objective was to determine whether cash handling controls practiced by the department effectively safeguard cash assets. Specific audit objective was to determine whether the department properly maintained and secured its petty cash fund.

We reviewed internal controls over cash for the period of April 1, 2008 through June 30, 2008. Our audit included surprise cash counts, inquiries of staff, observation of cash handling procedures and other audit procedures considered necessary.

### **Conclusion**

As a result of our analysis and tests performed, we concluded that cash handling controls practiced by the department did not always effectively safeguard cash. However, we determined that the department appeared to properly maintain and secure its petty cash fund.

We identified several procedures and practices that could be improved. We have listed these areas and our recommendations for improvement in the Findings and Recommendations section of this report.

We sent a draft report to the department on 12/30/2008 and discussed our observations with management on 1/13/2009. The department's responses to our recommendations are included in this report.

### **Findings and Recommendations**

#### **Finding 1: Lack of Segregation of Duties**

Per the Internal Controls and Cash Manual (ICCM), page 2-3, no one person should be assigned concurrent duties that would allow him/her complete control over a transaction or an asset. In addition, an employee of a higher-ranking job code should perform a reconciliation at least monthly. The petty cash fund custodian issues cash, maintains records, and performs monthly bank reconciliation (without supervisor or management review). Without segregating duties, a single person could conceal errors and irregularities in the normal course of his/her duties, which could result in ineffective management of cash and an increased susceptibility to theft.

#### **Recommendation:**

The reconciliation should be performed by an independent employee other than the petty cash fund custodian and of a higher-ranking job code.

**Management's Response:**

We agree and Mohammed Basith has trained Glorine Fierro our Executive Secretary on January 14, 2009 as our back up for distributing petty cash, which in turn will allow Gail Roussell to oversee, audit, and complete the reconciliation.

**Auditor's Response:**

The Department's planned actions will correct the deficiencies noted in the finding.

**Finding 2: Lack of Petty Cash Vouchers Usage**

Per the ICCM, page 4-8, a department employee completes a petty cash voucher in permanent ink, stating the date, purpose of the expenditure and the amount to be expended. Then an authorized department employee, of a higher-ranking job code than the requestor, approves the voucher. The Department did not require petty cash vouchers for reimbursements. The lack of petty cash vouchers could lead to unapproved transactions.

**Recommendation:**

Create a petty cash voucher form. Require all employees to complete it in permanent ink stating the date, purpose of the expenditure and the amount to be expended. Then an authorized department employee, of a higher-ranking job code than the requestor, must approve the voucher before the expense is incurred.

**Management's Response:**

We agree and have created a new petty cash voucher form that is being used and will continue to be used for all transactions that require any petty cash to be distributed. The Supervisors will approve all vouchers prior to submitting them to the Payroll Clerk. The Payroll Clerk checks to ensure all the necessary signatures are on the form and all the information has been filled in before the distribution of any petty cash.

**Auditor's Response:**

The Department's planned actions as well as actions taken will correct the deficiencies noted in the finding.

**Finding 3: Lack of Timely Replenishment of Cash Fund**

Per the ICCM, page 4-5, County departments must replenish their cash funds when they have used 75% of the authorized amount. In addition, they must replenish their cash funds prior to the end of each fiscal year to ensure expenditures are recorded in the year in which they were incurred. During the audit period, the department did not replenish the petty cash fund when 75% of the authorized amount had been used.

Without effectively practicing the internal controls as stated in the Internal Controls and Cash Manual, the risk of petty cash fund being misappropriated increases.

**Recommendation:**

Replenish the petty cash fund when 75% of the authorized amount has been used.

**Management's Response:**

We approve, Payroll Clerk has been instructed to keep the fund balanced on a weekly basis and stay within the parameters of the ICCM. Gail Roussell will be periodically checking and auditing the petty cash and balance sheets for accuracy and compliance with the ICCM.

**Auditor's Response:**

The Department's planned actions as well as actions taken will correct the deficiencies noted in the finding.

Thank you very much for the cooperation extended by your staff during the course of this audit.

Respectfully submitted,

**Larry Walker**  
Auditor/Controller-Recorder

By: \_\_\_\_\_  
Howard Ochi, CPA  
Chief Deputy Auditor  
Internal Audits Section

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